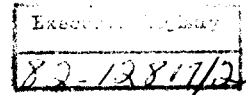


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DEPARTMENT OF STATE

Washington, D.C. 20520



November 17, 1982

Interagency Group No. 32

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TO:	NSC	-	Mr. Michael Wheeler
	ACDA	-	Mr. Joseph Presel
	CIA ✓	-	
	Commerce	-	Ms. Helen Robbins
	DOE	-	Mr. William Vitale
	DOD	-	COL John Stanford
	NRC	-	Mr. Samuel Chilk
	OMB	-	Mr. Alton Keel
	JSC	-	LTC Dennis Stanley

STAT

SUBJECT: Interagency Group Meeting on IAEA Reassessment

Attached is the uncleared draft strategy paper produced by the drafting group established at the last IG meeting. Specific comments on the paper will be solicited by Undersecretary Kennedy at the IG meeting on November 18 at 3:00 p.m. in Room 7219 at the Department of State.

L. Paul Bremer, III
 L. Paul Bremer, III
 Executive Secretary

Attachment: as stated

State Dept. review completed

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IAEA REASSESSMENT: DRAFT STRATEGY PAPER

The objectives of the IAEA, as stated in Article II of its Statute, are to "seek to accelerate and enlarge the contribution of atomic energy to peace, health and prosperity throughout the world. It shall ensure, so far as it is able, that assistance provided by it or at its request or under its supervision or control is not used in such a way as to further any military purpose."

I. THE PROBLEM

The IAEA plays a role critical to U.S. national security interests by the application of its system of safeguards designed to detect diversion of civil nuclear material from peaceful purposes. U.S. national security interests in the IAEA make that Agency unique in the UN system. US law requires the application of safeguards by the IAEA as one of the necessary preconditions to licensing exports of nuclear materials and technology, worth billions of dollars annually. Further, the IAEA performs important functions in all areas of nuclear technology and science, and provides technical assistance in the form of experts, funding, equipment and training in all these areas. The United States is a major contributor to these activities, which serve to enhance relations with recipients of US nuclear assistance channeled through the IAEA, and more importantly, helps to create a climate supportive of effective IAEA safeguards.

In recent years there has been a growing tendency for the proceedings of the IAEA Board and General Conference meetings to be disrupted by political issues that go beyond its statutory functions (a trend generally referred to as politicization). This trend is caused in part by factors that are common to all international organizations. The growing assertiveness of the G-77 has intruded into the activities of even technically oriented agencies. These organizations typically operate by majority rule, with each member State having one vote. This trend has tended to produce a situation in which the established statutory provisions and legal procedures of the IAEA can be flaunted by the collective will of its member states.

While the United States has been, and continues to be, willing to deal with controversy in the IAEA generated as a result of implementation of its mandated functions (e.g. Board expansion, technical assistance funding, and Secretariat staffing), a situation in which the legal norms of the IAEA are repeatedly not observed, including notably the rights of

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members to participate, is profoundly objectionable to the United States. The rejection of Israel's credentials at the 1982 General Conference was the most recent evidence of this trend. Unless this tendency can be reversed, the utility of the IAEA to the United States will be significantly reduced.

While IAEA safeguards implementation does not seem to have been adversely affected so far by the unfortunate trend toward politicization, an environment has been created which could lead to the gradual erosion of the effectiveness of the system and which could hinder or block timely and decisive decisions and actions by the Board and the Secretariat. We must now find ways to reverse this trend, or seek a new safeguards mechanism.

[An initial study of alternatives to the IAEA has been undertaken by DOE. No good alternative appears to be readily available which could be implemented immediately and which would protect U.S. interests as well as the strategy set forth below. However, there is a risk that this strategy may not ultimately be successful. Therefore, to protect our security interests against this risk, an in-depth study of realistic alternatives to the IAEA safeguards system should be initiated promptly. This long-term study should also examine how the IAEA might be fundamentally restructured in order better to fulfill our objective of strengthening the safeguards system.]*

This paper defines key U.S. objectives with respect to the IAEA and lays out a short term strategy which would provide a basis for resumption of full US participation in the IAEA. This is necessary in order to maximize U.S. influence on the Secretariat and member states as we seek to achieve longer-term objectives. It also lays out a longer term strategy for seeking changes which would enable the IAEA to perform its mandated functions more effectively in the future.

II. U.S. OBJECTIVES

A. Short-term

-- Broad support for, and commitment to, strict adherence to the IAEA Statute and its rules of procedures;

-- Broad support for, and commitment to, the principle that rights and privileges of membership in the IAEA must be based upon statutory criteria;

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-- Broad support from both the Secretariat and key member States for reducing the introduction of extraneous political issues into the proceedings of the IAEA.

B. Longer-term

-- IAEA adherence to the principle that all members in good standing are permitted to participate fully in all IAEA activities, including ensuring acceptance of Israel's right to participate in the IAEA.

-- Minimize to the extent possible the introduction of extraneous political issues into IAEA proceedings, and minimize any adverse impact on Agency activities of those extraneous issues which are introduced.

[-- Israeli agreement to make positive gestures in the non-proliferation areas which will help reduce opposition to Israel's continued participation in the IAEA.]*

-- South African agreement to make positive gestures in the non-proliferation area which will help reduce opposition to South Africa's continued participation in the IAEA.

-- Increase appreciation among member States, and the Secretariat for U.S. interest in and contributions to the non-safeguards functions of the Agency.

-- Improve the performance of the Agency in those areas, notably safeguards, which we deem important to our national interests.

III. SHORT TERM STRATEGY

The period since the General Conference has served not only as an interval in which to reassess US participation in the IAEA, but also has provided time to convince other governments and the IAEA Secretariat of the gravity with which we view the trend toward increased political controversy in the IAEA and the need for corrective action. The actions in the short term strategy outlined below are designed to ensure sufficient progress in meeting U.S. short term objectives to establish conditions for resumption of full US participation in the IAEA. Pursuit of these actions will also serve to facilitate achievement of our longer term objectives (outlined in Part IV).

*Bracketed language can be removed on IG approval.

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U.S. participation in the IAEA will be resumed with a program (the longer-term strategy) for working vigorously with other states and with the Secretariat to reduce extraneous and divisive political issues in the IAEA and to enhance the capability of the IAEA to pursue its mandated functions effectively. This program is designed to be constructive and non-punitive. An active process of monitoring the implementation of the program must be established.

A. Work with Secretariat

The United States walked out of the General conference because the credentials of the Israeli delegation were illegally rejected. There is no way to undo what happened in September. The next General Conference is not until the fall of 1983, and credentials are not required for participation in IAEA activities other than the General Conference and Board of Governors meetings. (Israel is not a member of the Board of Governors.) Israel remains a member with full rights and privileges except that it has not received technical assistance since this was suspended in 1981. Based on what occurred in Nairobi at the ITU Conference and in New York at the UNGA, Israel's right to participate in the UN system has been protected successfully thus far.

IAEA Legal Advisor Herron has written a memorandum to the Director General on the General Conference procedure for examining the credentials of delegates. He stated that the credentials submitted by Israel to the 26th General Conference complied with the requirements of Rule 27 of the Rules of Procedure. He further stated that the positions taken by the members of the Credentials Committee who said that they could not accept the Israeli credentials were legally unsound, and were outside the technical criteria relevant under Rule 27. He suggested that information could be prepared for the guidance of future credential committees. The Secretariat has made it known that this memorandum is available upon request to any member state. We will encourage other governments to request this document from the Secretariat.

The memorandum of the IAEA Legal Advisor also stated that the General Conference President's ruling which permitted Madagascar to vote and which resulted in the rejection of the Israeli delegation's credentials, and the advice of the Legal Advisor on which this ruling was based were not in accordance with UN General Assembly practice, and, in view of these circumstances, that the procedural ruling should not be treated as a precedent.

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The Secretariat, as requested, circulated a letter signed by 18 Western member states (WEOG) to the Director-General deploring what happened at the General Conference and referring to other problems affecting the IAEA. In his memorandum to the United States, Blix said that efforts should be made to protect specialized agencies from being encumbered by extraneous political controversy, and "several steps could be taken in the future to ensure that business is handled expeditiously and in accordance with the rules." At the end of our reassessment, we will respond to Blix setting forth our concerns and what we will endeavor to achieve in cooperation with the Secretariat and member States in improving the safeguards, technical cooperation and other activities of the Agency. We will request that the IAEA circulate Blix's memorandum and our response to all Member States (thus far, it has only been circulated to the 34 Board Members).

In recent discussions with Blix, we encouraged him to include in his report to the UNGA substantive points from his memorandum. We also stressed that his personal attitudes and pronouncements as the Director-General are critical to setting a constructive tone at the Agency and among member states. Blix must be persuaded to commit himself to us in private to putting the IAEA back on track.

Proposed Actions

-- Dissemination of information to member states setting forth the proper, limited grounds for review of credentials under Rule 27 of the IAEA General Conference Rules of Procedure.

-- Dissemination of information to member states indicating that the ruling on voting procedures at the General Conference was in error, eliminating any precedential impact for the future.

-- Evidence that the Secretariat will contribute to rededicating the Agency to its basic functions of advancing the use of nuclear energy under effective safeguards, thereby discouraging extraneous and divisive political controversy.

B. Work with Member States

Consultations with key member states have begun in order to impress upon them the gravity of the problems that are threatening to disrupt the IAEA's work and the need for states

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to work together to overcome these problems. Following the conclusion of our reassessment but before a public announcement, we will advise selected governments of the results of the reassessment, and urge that they support us fully in our efforts to return the IAEA to its statutory principles. Statements to this effect at the February Board meeting and on other suitable occasions would be indicative of their support. We will expand this effort to include the Soviet bloc and moderate G-77 states as appropriate.

-- Begin consultations with key member states to establish broad consensus on the problems facing the IAEA and on the need to protect the IAEA from extraneous issues which threaten to undermine its effective functioning.

C. U.S. Internal Actions

-- Establishment of a U.S. Government Steering Group, chaired by Ambassador Kennedy, to meet at regular intervals to oversee and monitor implementation of our longer-term strategy after US resumption of participation in the IAEA.

-- Initiation of a longer-term study to examine alternatives to the IAEA as well as how the IAEA might be fundamentally restructured to enable it better to meet our objectives.

-- After completion of the preceding actions, the Secretary of State or other appropriate official would announce that:

o The U.S. is encouraged by recent trends as evidenced in the UNGA and elsewhere indicating a general desire to reduce politicization of international organizations and to allow Israel to exercise its membership rights in UN organizations;

o Note the positive actions taken by the IAEA Secretariat and its member states, and our intention to continue vigorous efforts to effect desired changes;

o Based on these developments, declare that the United States is resuming full participation immediately;

o State the essential elements of our longer-term strategy for refocusing the Agency on its essential functions;

o Note that we will keep these efforts under review.

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IV: LONGER TERM STRATEGY

Achieving substantial progress in meeting our longer-term objectives will require sustained high-level attention within the U.S. Government. It will be necessary to undertake a campaign over the next few years to ensure that the international community agrees to cooperate to effect desired changes in the IAEA. Just as important, we must ensure that the U.S. Government itself is prepared to commit the resources necessary to accomplish our longer-term objectives.

A. Ensuring Participation for Members and Reducing Extraneous Political Controversy

While our short-term strategy seeks a general commitment from key member States and the Secretariat on the need to ensure the rights of participation for members and to protect the Agency from extraneous political issues, we will need to change some of the basic attitudes of key decision-makers in the international community on these issues. We must convince key countries of the need to work with us to create a consensus in the IAEA such that the Secretariat and a majority of the members work toward these ends. In addition, it will be necessary to focus specifically on the Israel and South African participation issues in the IAEA, and how to protect the IAEA from future disruptions stemming from these specific issues.

Proposed Actions

-- Prepare an analysis of competing interests in the IAEA Secretariat, the regional blocs, influential member States and even key individuals.

-- Consult with the WEOG to:

o establish a consensus on the need to protect rights of members and to reduce extraneous political controversy.

o obtain WEOG agreement to participate in creating a consensus on these issues, including making high level demarches.

-- The United States should be prepared to raise these issues with allies at summit and ministerial meetings and with others at ministerial-level and head-of-state level, as appropriate.

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-- Discuss with the WEOG, Soviets, selected G-77, and the Secretariat possible procedural changes or mechanisms that might help keep extraneous political issues outside the Agency, or at least under control if one or a few nations insist on raising them.

- o explore the possibility of amending the Rules of Procedure of the General Conference to allow for certain votes to be held by secret ballot.

- o consider proposing a procedure to review resolutions for germaneness before they are debated in Board or General Conference meetings.

[-- Seek to convince Israel to take constructive steps that would mitigate Arab determination to continue to punish Israel.]

- o concrete additional progress on the proposed Middle East Nuclear Weapons Free Zone.

- o acceptance of IAEA safeguards on additional Israeli facilities.]*

-- Develop a strategy for dealing with the South African problem in the IAEA context. This should include:

- o seeking to convince South Africa to take a more forthcoming stance on the acceptance of full scope safeguards and adhering to the NPT;

- o developing a strategy for dealing with the South African credentials issue at the 1983 General Conference.

B. Improving Safeguards

Keeping non-germane political issues out of the IAEA and ensuring strict adherence to the purposes and principles of the Statute will be conducive to maintaining an effective safeguards system. However, the safeguards system faces a series of chronic problems; the reassessment provides an additional opportunity to address them. If those problems are not resolved satisfactorily, the safeguards system will no longer adequately serve U.S. national security interests. We shall now begin to look at alternatives.

*Bracketed language.

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The long-term problems facing the safeguards system fall into three categories: attitudinal, technical and resource.

1) Safeguards: Attitudinal Problems

The attitude of most states toward safeguards in their own facilities is more one of bare tolerance or opposition rather than of encouragement, support and improvement. Examples of attitudinal problems are the continued complaints from certain EURATOM countries about the burden of safeguards they suffer when the IAEA exercises its right of independent verification, the unwillingness of some countries (e.g. Pakistan) to permit improvements to the inspection methods and techniques to be implemented by the IAEA, and the general difficulty the IAEA has in upgrading outdated facility attachments. Additional problems also exist in staffing and managing the department of safeguards, including the recognition of outstanding performance within the inspectorate.

Proposed Actions

-- Where necessary, approach allies to convince them of the importance both of their accepting effective safeguards in their facilities and of the IAEA's right of independent verification.

-- Consult with WEOG and other key IAEA member states on developing and implementing a common strategy to persuade all states to accept effective safeguards.

-- Consult with WEOG and other key IAEA member states and the IAEA Secretariat on management and organizational problems and challenges that the Agency safeguards system faces, including a renewed emphasis on the technical competence of the safeguards staff.

-- To protect against the risk that we will not be successful in this effort to improve the safeguards system, pursue an in-depth study of realistic alternatives to the IAEA safeguards system that might be available to the United States.

2) Safeguards: Technical Problems

The IAEA will be faced with increasing technical challenges when new, large sensitive facilities, including reprocessing, enrichment and other bulk handling facilities, come under Agency safeguards. New methods and techniques for safeguarding such facilities must be developed, tested and brought into routine

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safeguards use by the inspectorate. They must also be accepted by host governments as legitimate safeguards tools. These problems are both near and long term in the sense that several large sensitive facilities are now on-line, and others are under construction. The IAEA is just beginning to learn how to apply effective safeguards to them. The IAEA must, in the near term, conclude facility attachments that will serve as precedents for future negotiations.

Proposed Actions

-- Strengthen U.S. efforts to improve Agency safeguards with increasing focus on sensitive facilities and on facilities in countries of proliferation concern.

-- Encourage major industrial States to work together and with the IAEA to develop safeguards methods and techniques that are appropriate for safeguarding the kinds of facilities those states are bringing on line.

-- Encourage developing and developed country members to work with the Secretariat to help demonstrate new safeguards methods and techniques in their facilities, where appropriate, to show that acceptance of these new measures are in their best interest.

3) Safeguards: Resource Problems

The resource challenges the Agency faces are significant. Currently, about \$30 million (\$8 million U.S. share) of the Agency's overall \$91 million (\$21 million U.S. share) budget is devoted to safeguards. We have been able to increase significantly the resources available to the IAEA for safeguards over the past five years. To implement adequately safeguards today, the IAEA estimates that it would have to double its safeguards staff. The IAEA is in the process of finalizing a paper on its medium and long term needs in the safeguards area. based on expectations of the types and numbers of nuclear facilities under safeguards. When this paper is available, we should seek ways to help the Agency reach its defined goals.

We should work with the Secretariat and other key IAEA member states to define the level of resources needed to implement safeguards which are effective, taking into account the constraints that exist on providing additional resources. Our demarches to other states urging them to help improve safeguards that are applied at their facilities will have minimal impact if the Agency does not have the resources necessary to implement such improvements practicable to date.

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into their projected requirements.

Finally, we cannot expect to protect our interests and carry out this longer-term strategy unless the U.S. Government itself has adequate expert staff to pursue improved safeguards vigorously with the IAEA and with other governments. Current staffing levels should be reevaluated in view of the urgent need in the safeguards area.

Proposed Actions

-- Assess how well the resources available to the Agency are being used to allow it to meet its safeguards goals and to make long term improvements in the application of safeguards.

-- Determine the amount of resources (personnel, funding, equipment) that the Agency needs now, and will need in the future, to implement effective safeguards.

-- Review the level of U.S. financial support for IAEA safeguards and other IAEA programs in the context of U.S. national security interests in the safeguards system; consider, if necessary, non-traditional methods of funding U.S. contributions or part of such contributions.

-- After determining our position on the level of U.S. funding and on the desired level of the overall IAEA budget, consult with the IAEA Secretariat and like-minded states, and subsequently with other states, on resource issues.

-- Review the internal USG staffing level for dealing with IAEA safeguards and safeguards improvements efforts to determine whether it should be augmented.

C. Non-Safeguards Areas

In the non-safeguards areas, the United States has not paid sufficient attention to the planning, the execution and the results of US - supported programs and projects that have been utilized by developing country members of the Agency. Almost 75% of the Agency's budget is spent in non-safeguards areas. The United States should develop ways to assess the impact of these programs and projects, to take maximum advantage of our participation, and develop ways to improve them in the future. The United States should identify and carry out actions that will put more focus on, and generate better international appreciation for, the substantial U.S. efforts in the non-safeguards area. Better programs and improved implementation could create a more positive attitude

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on the part of some developing countries towards the IAEA, and increase generally the acceptance of safeguards as part of the bargain that gives the Agency its strength. The non-safeguards part of the Agency's work, if cultivated and followed up appropriately by the US, could serve as a significant tool for the promotion of NPT adherence and other national objectives, such as selling US nuclear technology and equipment.

Proposed Actions

-- Follow up on programs and projects supported by the United States and the IAEA to assess their impacts.

o set in motion a routine debriefing of selected experts on their return to the US.

o establish closer contact between the US Mission in Vienna and US nationals working for the IAEA.

-- Consider establishing an interagency coordinating group to develop follow-up actions in cases where this seems warranted.

-- Work more closely with U.S. members of the Technical Advisory and the Scientific Advisory Committees to maximize the impact of US policy on the work of these committees.

-- Develop a program to promote appreciation for the substantial U.S. efforts supporting the non-safeguards functions of the IAEA.

-- Review the level of, and funding methods for, U.S. contributions for the non-safeguards functions.

-- Determine whether additional technical assistance is desirable and could effectively be absorbed.

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